

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**ID#4353**

**RESOLUTION G-3378**

**March 17, 2005**

**R E S O L U T I O N**

Resolution G-3378. San Diego Gas and Electric (SDG&E) requests Commission approval of a natural gas storage agreement between itself and Southern California Gas (SoCalGas), an affiliate under Sempra Energy, entitled Master Services Contract, Schedule J, Transaction Based Storage Service, dated November 8, 2004. SDG&E's request is approved with modifications.

By SDG&E Advice Letter (AL) 1499-G, filed January 7, 2005.

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**SUMMARY**

**In AL 1499-G, SDG&E proposed a storage contract with its affiliate, SoCalGas, that would provide it with 8.0 billion cubic feet (Bcf) of storage inventory capacity at a \$0.97665 per decatherm (Dth) reservation charge. This resolution approves SDG&E's proposal with modifications. Key elements of this Resolution are summarized below.**

1. This storage contract would provide firm storage service for SDG&E's core customers beginning April 1, 2005.
2. We direct SDG&E to proceed with a storage contract with SoCalGas, but only for 6 Bcf in inventory capacity, and only if the price of the transaction is not increased above the rate proposed in the advice letter.
3. To the extent that the price under this contract is above the rates SoCalGas' own core customers pay, we require that those costs be booked to a memorandum account for further review in the next SoCalGas/SDG&E Biennial Cost Allocation Proceeding (BCAP).
4. In its protest of AL 1499-G, the Office of Ratepayer Advocates (ORA) raised concerns about the magnitude and the unit price of SDG&E's proposed transaction. ORA's protest is granted in part.
5. The Southern California Generation Coalition (SCGC) protested the confidentiality of the SDG&E storage contract. SCGC's protest is granted.

SDG&E shall immediately make its proposed storage contract available on its web site. Once SDG&E arranges its final deal with SoCalGas it shall also make that contract available on its web site.

## **BACKGROUND**

In the Phase 1 decision, Decision (D.) 04-09-022, in Rulemaking (R.) 04-01-025, the Commission established procedures under which natural gas utilities could enter into contracts for firm interstate pipeline capacity and firm storage capacity for their core customers. The Commission allowed utilities to propose new storage contracts with affiliates by either the standard advice letter process or by application.

**SDG&E, under the provisions of D. 04-09-022, filed AL 1499-G on January 7, 2005, for approval of a natural gas storage agreement between itself and Southern California Gas (SoCalGas), an affiliate under Sempra Energy, entitled Master Services Contract, Schedule J, Transaction Based Storage Service, dated November 8, 2004.**

A storage contract should be in place by April 1, 2005 in order to allow SDG&E to begin storing gas during the spring injection season, when demand for natural gas demand dips from winter seasonal highs and it is available economically for storage.

Storage agreements have traditionally been reviewed in past years in the SoCalGas/SDG&E Biennial Cost Allocation Proceeding (BCAP) proceeding. The SoCalGas/SDG&E BCAP has been significantly delayed for various reasons. The last BCAP decision was issued in 2000. So, for the past few years, SDG&E has entered into a one-year storage contract with SoCalGas for an amount of inventory, withdrawal, and injection capacity that has been either mutually agreed upon with ORA, or at least has not been opposed by ORA. These storage contracts were entered into, at market rates, following a similar SoCalGas auction process that SDG&E pursued for the proposed contract. Over the last four years, SDG&E has obtained storage capacity in the range of 4.5 to 8.0 Bcf in storage inventory.

## **NOTICE**

Notice of SDG&E AL 1499-G was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

## **PROTESTS**

SDG&E AL 1499-G was timely protested by ORA and SCGC.

**ORA protests AL 1499-G with regard to: the price of the storage capacity; the inventory amount; the fact that the SDG&E storage contract is with an SDG&E affiliate, SoCalGas, and; the fact that SDG&E has proposed this contract in an advice letter when the BCAP is allegedly a better forum.**

1. Price – ORA believes that SDG&E should pass through to its core customers the same storage rates that SoCalGas charges for its core customers. As a “captive customer” for storage, SDG&E has no bargaining power and must pay whatever SoCalGas wishes to charge. Moreover, ORA contends that SDG&E has presented no valid reason for the price disparity of \$0.378/Dth, between the rates SoCalGas charges its own core customers and the rate under the proposed storage contract.
2. Quantity – ORA states that it believes 6.0 Bcf of storage capacity is adequate for SDG&E's core needs. ORA has taken issue with an SDG&E study rationalizing the 8.0 Bcf level, but was unable to pursue this matter to conclusion outside of the BCAP proceeding due to resource constraints.
3. Affiliate transactions – ORA contends that this agreement between SDG&E and SoCalGas is a “sweetheart deal”. Both SDG&E and SoCalGas are subsidiaries of Sempra Energy, and the internal transfer of funds from SDG&E core customers to SoCalGas would obviously benefit SoCalGas. SDG&E has little incentive or opportunity to negotiate lower rates. Moreover, SDG&E and SoCalGas continue to negotiate one-year deals instead of potentially less expensive long term contracts.
4. Venue – ORA feels that the only proper venue to address these issues fully is the BCAP. The Advice Letter process is too brief and insubstantial to delve deeply into complex issues requiring both thorough analysis and comprehensive negotiation.

**SCGC protests that the storage contract has been filed with the Commission confidentially.** SCGC protests that the terms of SDG&E's storage contract with SoCalGas have not been released to the public, but only to CPUC, "for competitive and trade reasons." (See AL 1499-G, p.1.) SCGC points out that SDG&E does not identify these reasons, and argues that there is no legal justification for this maintenance of confidentiality.

SCGC continues that typically data on utilities' reservation of storage capacity for core service is made publicly available. It points out that the reservation of inventory, injection, and withdrawal capacity for the SoCalGas core was publicly established in D.00-04-060, and likewise for the PG&E core in D.03-12-061.

Finally, SCGC also broaches the question of affiliate transactions, with particular respect to market power. SCGC states that terms of the storage agreement reached between SDG&E and SoCalGas were reached through a private negotiation process absent evidentiary hearings, which were necessary to establish terms and requirements of SoCalGas's and PG&E's core storage programs. SCGC worries that an excessive capacity reservation by SDG&E on SoCalGas's storage system could reduce storage capacity available to noncore customers. Such an artificially created shortage would result in the raising of prices SoCalGas charges for noncore storage capacity under Schedule G-TBS, Transaction Based Storage Service.<sup>1</sup>

SCGC recommends that the advice letter be re-filed with the proposed storage contract publicly available.

#### SDG&E Response to Protests

**SDG&E maintains that 8 Bcf of storage capacity "best serves the needs of its core customers", and will help protect customers against unforeseen emergencies.** SDG&E refers to an analysis previously presented to ORA. (SDG&E did not initially make this analysis available to Energy Division.) SDG&E also states that the proposed 8 Bcf inventory level is the same amount

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<sup>1</sup> G-TBS is an experimental tariff. It was closed to new customers as of June 1, 2000, and is only available to existing customers until such time as a new storage program is implemented under CPUC OII 99-07-003.)

that it currently holds, and that ORA was aware of and did not oppose this inventory level

**SDG&E asserts that obtaining additional pipeline capacity instead of storage would “stray from the interests expressed by the Commission” in D.04-09-022.** SDG&E states that this advice letter must be approved by CPUC or its core customers will be left “without storage for the upcoming winter season and thus absent a reliable, secure source of gas in the winter.”

**With respect to the BCAP, SDG&E “does not dispute” that it is the traditional forum in which to address these issues.** However, the SoCalGas/SDG&E BCAP has been delayed, and its timeline remains uncertain. Hence, SDG&E proposes, not for the first time, to “consolidate the gas supply portfolios and related interstate pipeline and storage capacities, and to charge the same cost of gas to utility procurement customers in the SoCalGas and SDG&E service territories.” This plan was previously filed in Application (A.) 01-01-021. D.02-08-065 subsequently deferred consideration of this request until the Commission resolved the issues being addressed in Order Instituting Investigation (I.) 02-11-040.<sup>2</sup> Such consolidation would, according to SDG&E, eliminate the negotiation process between itself and its affiliate, SoCalGas, which accounts for the difference in their storage costs.

**With regard to SCGC’s protest, SDG&E responds that SoCalGas’ tariff requires confidentiality.** SoCalGas’ tariff indicates that offers for storage service under SoCalGas Schedule G-TBS shall be kept confidential by SoCalGas. Moreover, SDG&E maintains that the storage agreement contains “competitive and trade secret information”, and therefore must remain confidential.

#### SoCalGas Response to Protests

**SoCalGas, responding to ORA’s objections, represents that the storage agreement does not represent a “sweetheart deal”, but the result of an auction**

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<sup>2</sup> Order Instituting Investigation into the Gas Market Activities of Southern California Gas Company, San Diego Gas and Electric, Southwest Gas, Pacific Gas and Electric, and Southern California Edison and their impact on the Gas Price Spikes experienced at the California Border from March 2000 through May 2001

**process conducted pursuant to the G-TBS tariff, and that SDG&E is just one of several parties which will pay similarly high reservation charges.** SoCalGas further alleges that ORA incorrectly identifies SoCalGas' core customers as paying \$0.59/Dth, whereas the true charge is \$0.641/Dth.

Responding to SCGC's protest, SoCalGas quotes Condition 12 of its G-TBS tariff: "Any offer submitted by a customer to the utility shall be kept confidential by the utility. As a condition of submitting the offer, the customer shall agree to keep the submitted offer and the utility's response thereto strictly confidential." Thus, **SoCalGas claims that SDG&E had no discretion in the matter and was required to invoke confidentiality.**

## **DISCUSSION**

The Commission has reviewed SDG&E AL 1499-G, the protests by ORA and SCGC, and the responses by SoCalGas and SDG&E.

**In D.04-09-022, the Commission intended that SDG&E obtain firm storage capacity, and specified a procedure under which utilities would propose storage contracts.**

The Commission's D.04-09-022 (p. 37) states "proposed changes to core storage may be addressed through the standard advice letter procedure", and SDG&E has filed its storage proposal for a storage contract under that procedure. That decision also envisioned a negotiation process involving ORA, as the primary representative of SDG&E core customer interests, that would preferably allow for a mutually agreed-upon contract before the contract was submitted to the Commission. In cases where ORA did not agree to the terms of such a contract, utilities were still given the option to propose a storage contract with an affiliate under the standard advice letter process or by application. In the case of the proposed storage contract filed with AL 1499-G, ORA does not agree that the proposed storage contract is in the best interests of ratepayers, yet does not oppose storage in general for SDG&E, and proposes a lower inventory amount. (This is the first capacity proposal made by a utility under the procedures set out in D.04-09-022 that has been protested by ORA.)

**In order for SDG&E to obtain storage service, it essentially must obtain those services from SoCalGas, and has no opportunity to negotiate a storage contract with another provider.** This is a significant difference from SDG&E's opportunities related to obtaining firm interstate pipeline capacity, where

SDG&E can negotiate with at least four different providers of capacity, all of which are unaffiliated, and the maximum rates SDG&E might pay for such capacity is capped at the maximum tariff rate set by the Federal Energy Regulatory Commission. Absent a Commission order requiring SoCalGas to provide SDG&E with storage at cost-based rates, rather than market rates, SDG&E needed to obtain storage via an auction type of process. In past years, SDG&E's appropriate level of core storage, and their related rates and terms, had been determined in the BCAP process, rather than via an auction and negotiation with SoCalGas. However, due to the delay in the BCAP, SDG&E storage contracts have been arranged on an annual basis at market rates for the last four years.

SoCalGas is presently at risk for 50% of storage revenues, while ratepayers are at risk for the remaining 50%. Any additional storage revenues provided by SDG&E above cost obviously benefits Sempra shareholders.

Finally, SDG&E failed to provide adequate workpapers with its advice letter to support its proposed contract in a timely manner. No workpapers or supporting analyses were provided by SDG&E with its advice letter. Once it became apparent to the Energy Division that ORA would not support the proposed contract, the Energy Division requested workpapers from SDG&E to support the proposed contract. The workpapers that were then provided were inadequate to demonstrate that the proposed contract was economic, so Energy Division staff again requested an analysis that showed that the proposed contract was favorable for ratepayers. Natural gas utilities should provide adequate workpapers to support their proposed capacity contracts, when the advice letter is filed or when the proposal is made.

**In D.04-09-022, the Commission implicitly assumed that SDG&E would obtain firm storage to meet the needs of its core customers, if it could be shown that such services would be economic and was needed for reliability.** In establishing an interstate pipeline capacity range, the range was set such that minimal incremental supplies would be needed on a non-firm basis, and was set at the annual average temperature year demand. In order to meet core demand basically without relying on non-firm supplies, SDG&E would need to obtain storage because core demand significantly changes throughout the year.

Given that we are requiring SDG&E to obtain storage capacity when such capacity is economic and needed for reliability, and that SoCalGas is not only its

own affiliate but also a regulated utility, we believe SDG&E should be able to obtain storage from SoCalGas at cost-based rates.

The Commission believes it is a good idea for SDG&E to obtain storage to meet the needs of its core customers. And, based on the analyses that we finally received from SDG&E, firm storage service could be economic, and would provide added insurance against further increases in winter 2005-2006 prices. Finally, although supply and interstate pipeline constraints are unlikely for the upcoming winter, storage would provide added assurance that supplies would be available to core customers.

**There is no good reason for SoCalGas to be able to charge SDG&E's core customers higher rates for storage than its own core customers pay.**

In its protest, ORA failed to state whether the proposed storage contract was economic or a valuable "insurance hedge" in its opinion, and simply said it was unable to devote adequate resources to conduct such analysis. However, ORA raised an important issue. There is no good reason for SoCalGas to be able to charge SDG&E's core customers higher rates for storage than its own core customers pay. This is especially the case when we are requiring storage for core customers, the only provider of that storage is another regulated utility, SoCalGas, and that utility is an affiliate of SDG&E, at risk for storage revenues. ORA requests that SDG&E be allowed to enter into a storage contract (for 6 Bcf of inventory), but that SDG&E should not pay more than the rates SoCalGas' core customers pay for storage.

We don't necessarily agree with ORA that the storage contract is a "sweetheart deal", although it is always a concern about how hard SDG&E would question the need to pay for storage services from its affiliate, particularly when SoCalGas is at risk for storage revenues. In addition, SDG&E has little incentive to negotiate lower rates with its affiliate, and little opportunity to negotiate lower rates if SoCalGas is the only provider. Its only option other than paying the "market rate" to SoCalGas is to decline to obtain storage, an option that we do not prefer.

Our strong preference is that SDG&E should be able to obtain storage service from SoCalGas at the same rates that SoCalGas' core customers pay. We want SDG&E to obtain economic firm storage capacity to avoid substantially relying on non-firm supplies for its core customers. At the same time, SDG&E has no



opportunity to obtain storage other than from SoCalGas, a regulated utility and its own affiliate.

**The Commission should examine whether SDG&E should obtain firm storage capacity from SoCalGas at cost-based rates in a BCAP, or possibly another appropriate proceeding filed sooner. We will determine the costs SDG&E is obligated to pay to SoCalGas for the proposed storage contract in AL 1499-G in the next BCAP, if not sooner. SDG&E should only obtain 6 Bcf of storage inventory for now.**

ORA requests that SDG&E pay no more for storage than the rates SoCalGas' core customers pay. The reason that SDG&E's storage amounts and costs had been traditionally dealt with in BCAPs is that these arrangements were subject to examination by all affected parties and subject to evidentiary hearings. In the absence of critical examination and evidentiary hearings we will not order SoCalGas to provide storage at cost-based rates to SDG&E here. Instead, we will order that costs above the rates that SoCalGas' core customers pay be reviewed in the next BCAP. In that proceeding, if not sooner, we may require SDG&E core storage to be provided by SoCalGas at cost-based rates. The SoCalGas/SDG&E Application 04-12-004 may also provide a forum to determine the issue of SDG&E core storage at cost-based rates from SoCalGas. SDG&E, in its response to protests, also refers to an application that would propose consolidation of the SoCalGas and SDG&E core procurement departments. That application could also provide the appropriate forum.

The Commission has reviewed the workpapers SDG&E provided to support its proposed storage contract. Those workpapers also compare the proposed storage contract to a contract that provides as much as 10 Bcf of storage inventory, or as little as 6 Bcf of storage inventory. Additional inventory beyond 6 Bcf would provide additional storage insurance, but at a slightly higher cost. After our review of SDG&E's workpapers, and in consideration of ORA's recommendation as the primary representative of SDG&E core interests, we are satisfied with a storage inventory of 6 Bcf.

**The proposed storage contract should be made public.**

The Commission has broad discretion under Section 583 to disclose information. See, for instance, Southern California Edison Company v.

Westinghouse Electric Corporation, 892 Fed. 2d 778 (1989), in which the United States Court of Appeals for the Ninth District stated (at p. 783):

On its face, Section 583 does not forbid the disclosure of any information furnished to the CPUC by utilities. Rather, the statute provides that such information will be open to the public if the commission so orders, and the commission's authority to issue such orders is unrestricted.

As such, Section 583 neither creates a privilege of nondisclosure for a utility, nor designates any specific types of documents as confidential. The party seeking to keep information confidential must accompany any requests for confidentiality with a reference to the specific law prohibiting disclosure, the specific statutory privilege that it believes it holds and could assert against disclosure, or the specific privilege it believes the Commission may and should assert against disclosure. The moving party bears the burden of proving why any particular document, or portion of a document, must or should be withheld from public disclosure.

If a confidentiality request is based on a privilege or exemption requiring a balancing of interests for and against disclosure, rather than on a statutory prohibition against disclosure or a privilege held by the moving party, the moving party must demonstrate why the public interest in an open process is clearly outweighed by the need to keep the material confidential. A moving party that is a public utility should not cite Public Utilities Code Section 583 as a sole basis for the Commission's nondisclosure of information since, as noted in D.91-12-019, Section 583 does not create for a utility any privilege that may be asserted against the Commission's disclosure of information or designate any specific types of documents as confidential.

The moving party must identify any specific privilege that it believes it holds and may assert to prevent disclosure of information and explain in detail the applicability of that law to the information for which confidential treatment is requested. For example, if the moving party asserts that information is subject to a trade secret privilege (Evidence Code Section 1060, et seq), the moving party must explain (a) how the information fits the definition of a protectible trade secret (e.g., how the information provides its holder with economic value by virtue of its not being generally known to the public and what steps the moving party has taken to maintain the secrecy of the information); and (b) why

allowance of the privilege will not tend to conceal fraud or otherwise work injustice.

In the case at hand, in AL 1499-G SDG&E sums up its reasons as to why the information should be kept confidential in this one sentence: “[f]or competitive and trade secret reasons the attached Agreement between SDG&E and SoCalGas is being provided only to the Commission staff.” Such an explanation fails to meet the abovementioned standards. SDG&E has not explained how the information fits the definition of a protectable trade secret. Furthermore, SDG&E has not demonstrated why the allowance of the privilege will not tend to conceal fraud or otherwise work injustice, especially since, in the case at hand, SDG&E and SoCalGas are affiliates.

In its protest, SCGC points out that typically, a gas utilities reservation of storage capacity for core service is made publicly available. See D.00-04-060 at 72-76, where SoCalGas’s reservation of inventory, injection, and withdrawal capacity was publicly established. In addition, PG&E’s reservation of storage capacity for core service is publicly available. See D.03-12-061 at 102-106.

SDG&E and SoCalGas both respond to the protest’s argument against confidentiality by noting that Special Condition 12 of SoCalGas’ Schedule No. G-TBS provides that: “Any offer submitted by a customer to the Utility shall be kept confidential by the utility. As a condition of submitting the offer, the customer shall agree to keep the submitted offer and the utility’s response thereto strictly confidential.” SoCalGas also contends that, “[t]herefore, under the provisions of this Commission-approved tariff, SDG&E had no discretion in determining whether or not to file Attachment A under confidentiality. SoCalGas sees no reason that SDG&E be treated any differently than other customers who acquired storage services under the G-TBS tariff. The Commission should continue its consistent treatment of confidentiality under the G-TBS tariff and deny SCGC’s request to remove the confidentiality of the contract submitted in SDG&E’s AL 1499-G.” SDG&E further contends that: “SDG&E continues to believe that the information contained in Attachment A to AL 1499-G contains competitive and trade secret information and should remain confidential.”

In reviewing confidentiality requests, the Commission requires more than the simplistic bare claim that a document contains “competitive and trade secret information and should therefore remain confidential.” Utilities asserting trade

secret status should demonstrate that the information they seek to keep secret does in fact meet each element needed to demonstrate that the information is a trade secret as defined by statute and as interpreted by relevant case law.

That being said, the Commission notes that SoCalGas and SDG&E have cited a tariff provision that requires that: “Any offer submitted by a customer to the Utility shall be kept confidential by the utility. As a condition of submitting the offer, the customer shall agree to keep the submitted offer and the utility’s response thereto strictly confidential.” The Commission notes that Special Condition 8 of this tariff states, with regard to offers:

“Any prospective customer meeting the applicability requirements of this schedule may submit a written offer for storage services to the Utility. The offer must designate the following: (1) the amount of storage inventory desired; (2) the term for which the inventory is desired; (3) the period of time the customer request to deliver gas for injection and the period during which such gas would be withdrawn; (4) the firmness of the injection and withdrawal services; (5) the reservation charges proposed to be paid by the Utility for the requested storage service package; and (6) the date and time by which the Utility must respond to the customer’s offer.”

The utilities’ citation to Special Condition 12 provides a reasonable starting point for a discussion regarding the confidentiality of information in Attachment A. In this particular case, however, there are a number of factors that preclude the conclusion that Special Condition 12 provides a conclusive basis for the Commission to deny public access to that information.

First, the utilities’ citation to Special Condition 12 is misplaced. Special Condition 12 applies to offers and not final contracts. The Commission agrees the utility’s tariff states that the transactional process of offers should remain confidential. However, once a final contract has been reached the onus is on the utility to show why the document should remain confidential.

Second, we note that information regarding certain of the listed elements of the SoCalGas offer under Schedule No. G-TBS have already been disclosed to the public. For example, the amount of storage inventory sought by SDG&E, 8.0 Bcf (offer element 1), the term (offer element 2), and the reservation charges to be paid, \$0.97665 per Dth (offer element 5) have already been made public through an inadvertent disclosure by ORA in its protest. We further note that the advice

letter states that the storage contract would provide firm storage service for SDG&E core customers beginning April 1, 2005, and that “core customers are dependent on storage services to ensure the reliable delivery of gas during the winter months”. Thus, one might easily surmise that injections would typically occur during the spring, summer and fall, and withdrawals would occur during the winter (offer element 3). The remaining offer element 6: “[t]he date and time by which the Utility must respond to the customer’s offer” can hardly require confidential treatment, given that this date has already long passed. The fact that almost all information required to be in the offer for which the utilities request confidential treatment has already been disclosed, either in the advice letter itself, or through ORA inadvertence, suggests that there is little need to keep this particular contract from the public.

Third, we note that the contract at issue here involves two affiliated utilities, and that contracts between affiliates may well cry out for public disclosure even where there may be some grounds for retaining the confidentiality of similar contracts between non-affiliated entities.

Given these factors, we find that the public interest in this case is best served by making the agreement between SDG&E and SoCalGas public.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties.

All parties have stipulated to reduce the 30-day comment period provided by PU Code section 311(g)(1). Accordingly, this matter will be placed on the first Commission’s agenda following the issuance of the draft resolution.

## **FINDINGS**

1. With AL 1499-G, SDG&E requests approval of a storage agreement with SoCalGas.

2. SDG&E requests confidentiality for the terms of its agreement.
3. SDG&E's proposal is problematic for a number of reasons.
4. ORA filed a protest against the proposed agreement, the first such protest filed by ORA under the capacity contract proposal process approved by the Commission in D.04-09-022.
5. The Commission has assumed that SDG&E would obtain firm storage services, but SoCalGas is the only provider of storage for SDG&E.
6. SoCalGas is SDG&E's affiliate, and is at risk for storage revenues.
7. SDG&E did not provide workpapers to support its contract in a timely manner.
8. An inventory amount of 6 Bcf is adequate storage for SDG&E's core customers for the upcoming period of April 1, 2005 through March 31, 2006.
9. SDG&E should be able to obtain firm SoCalGas storage service at the same rate as SoCalGas provides to its core customers.
10. SDG&E should obtain storage from SoCalGas for the term April 1, 2005 through March 31, 2006, but only at a 6 Bcf storage inventory level, and at a rate no higher than its proposed rate.
11. The costs of storage at rates higher than what SoCalGas charges for its own core customers should be recorded in a memo account to be reviewed in the next SoCalGas/SDG&E BCAP, if not sooner. In the BCAP, or other appropriate proceeding, we may require that SoCalGas provide SDG&E core customers with firm storage at cost-based rates.
12. ORA's protest that SDG&E should only obtain 6 Bcf in storage inventory is granted. ORA's protest that SDG&E should only pay the same rates for storage as SoCalGas' core customers is denied without prejudice at this time.
13. SCGC's protest regarding the confidential aspects of AL 1499-G should be granted.

**THEREFORE IT IS ORDERED THAT:**

1. The request of San Diego Gas & Electric Company for Commission approval of a natural gas storage agreement between itself and Southern California Gas (SCG), entitled Master Services Contract, Schedule J, Transaction Based Storage Service, dated November 8, 2004, is approved with modifications.
2. SDG&E shall obtain 6 Bcf of storage inventory from SoCalGas at a price no higher than the price under its proposed contract.
3. Costs of SDG&E storage over the rates that SoCalGas core customers pay will be considered in the next SoCalGas/SDG&E BCAP, if not sooner.
4. The SDG&E storage contract that SDG&E obtains from SoCalGas beginning April 1, 2005 shall be made public.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 17, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
Commissioners

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

ID #4353

March 1, 2005

RESOLUTION G-3378

March 17, 2005 Commission Meeting

TO: Parties to San Diego Gas & Electric Company Advice Letter 1499-G

Enclosed is draft Resolution G-3378 of the Energy Division. It will be on the agenda at the Commission's March 17, 2005 meeting. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Fax: 415-703-2200

A copy of the comments should be submitted **in electronic format** to:

David R. Effross and Richard Myers  
Energy Division  
California Public Utilities Commission  
505 Van Ness Ave.  
San Francisco, CA 94102  
email: dre@cpuc.ca.gov and ram@cpuc.ca.gov



Any comments on the draft Resolution must be received by the Energy Division by March 8, 2005. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft Resolution may be filed (*i.e.*, received by the Energy Division) by March 14, 2005. Replies shall be limited to identifying misrepresentations of law or fact contained in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

Richard A. Myers  
*Energy Division*

*Enclosure: Service List*

CERTIFICATE OF SERVICE

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of Draft Resolution G-3378 on all parties in these filings or their attorneys as shown on the attached list.

Dated March 1, 2005 at San Francisco, California.

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*Jerry Royer*

**NOTICE**

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Resolution G-3378 Service List:

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